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IRS Aids Dodd, Williams Says

Senator Sees Plan To Stir Confusion

By CECIL HOLLAND
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Sen. John J. Williams today charged the Johnson administration with "a deliberate plan to create confusion" by advancing proposals which he said would take Sen. Thomas J. Dodd, D-Conn., off a tax hook on \$100,000 or more which he has received from fund-raising affairs.

In a Senate speech, the Delaware Republican said that

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in the last two weeks Internal Revenue Service officials have been "quietly approaching some members of the Senate" and suggesting that the "present law may be fuzzy" on this point. He said the officials, whom he did not name, also suggested "that some clarifying legislation may be necessary."

The ultimate effect of this, Williams said, would be to clear Dodd of any tax liability on the proceeds from fund-raising affairs in 1961, 1963 and 1965. Dodd's associates have contended the funds are gifts and not taxable.

While Williams referred to what he called "a diversion" of \$100,000, other sources have placed the total proceeds of the fund-raising affairs in the three years at close to \$200,000.

Williams described as "a farce" any efforts to claim that funds raised for campaign purposes and diverted by a public official to personal use are not taxable.

"In fact," he added, "as far as I am concerned, even if the member does pay taxes on these diverted funds, it is still improper."

Dodd was not on the Senate floor during Williams' speech.

In other remarks on the floor, Sen. Clifford P. Case, R-N.J., said he thought receiving or giving contributions apart from campaign purposes was "thoroughly bad public policy."

"I recognize that there are some who take a different view on this," he added. "But who can disagree as to the proposition that in the case of any pub-

lic figure the full facts as to any and every such gift should be put on the public record."

Confident of Committee

In his speech Williams never mentioned Dodd, a close friend of President Johnson, by name. He referred to him as "a member of the Senate" whose handling of campaign funds and other matters were under investigation by the Senate Ethics Committee.

Williams said he had "every confidence in the integrity and ability of the committee to do its job and 'render an objective report' to the Senate."

"This must be done," he added, "because until these questions are answered, they represent a reflection on every member of the Senate."

Williams said he spoke on the matter only to clear up some of the confusion generated by the explanation attributed to Dodd's associates, the approaches made to senators by IRS officials, and a press release put out by the IRS.

"In my opinion," he said, "these tactics are part of a deliberate effort to create confusion as to the effectiveness of existing law in the hope that they can get Congress to accept the premise that a loophole does exist and then proceed to rewrite legislation dealing with campaign contributions."

Rejecting outright any need for new legislation—and supporting his views with past Treasury rulings—Williams added:

"Do not overlook this important point."

"Once Congress rewrites the law, all past transactions are in effect legalized since our enactment of new legislation would be interpreted as the opinion of Congress that a loophole does exist in the present law and the present law does not impose a tax on those diverted funds."

"Would Be Neat Trick"

This, Williams said, "would be a neat trick to excuse past violations if they could get Congress and the public to accept it."

Williams, the ranking Republican member of the tax-writing Senate Finance Committee, rejected the proposition outright.

"I flatly refuse to be a part of any such backstage plan," he said. "There is no doubt in my mind but that the present law is perfectly clear and that all we need is the will to enforce it."

Cocktail Party

Williams accompanied his Senate speech with a copy of a letter he identified as one soliciting contributions of "\$100 or more" from those invited to a Fairfield (Conn.) cocktail party in 1963 attended by Johnson when he was still vice president.

The funds solicited for these money-raising affairs, Williams said, "were actually collected as campaign contributions."

"The Treasury Department is well aware of this point," he said.

The letter he introduced, with the person's name receiving it removed, began:

"In 1964, our friend, Sen. Thomas J. Dodd will campaign for re-election to the United States Senate. It does not seem necessary for me to stress the heavy financial burden this campaign will involve. For this reason, it is necessary for those of us who respect and admire Sen. Dodd to lend whatever aid we can to assist him in presenting a vigorous campaign."

Johnson Presence Stressed

The letter emphasized that Johnson would be in Connecticut for the entire day to take part in the various activities that were planned. It said the party would be held at the home of Mr. and Mrs. Archie Perry, 750 Verna Hill Road, Fairfield, between 3 and 5 p.m. and went on:

"The vice president and Sen. Dodd will be at Mr. and Mrs. Perry's home and an invitation to that party will be sent to you at your request."

"Inasmuch as Mr. and Mrs. Perry have been gracious enough to give us their home for this occasion and have underwritten the expenses in connection with the party, it is our hope that the various guests will see fit to make contributions of \$100 or more. I hope you can find it within your means and power to help us assist the senator by being present."

The cocktail party, the letter said, would be followed by a dinner at the Stratfield Motor Inn in Fairfield.

This, it was said, was expected to be "a gala affair," and subscriptions for the dinner would be "\$25 or more per person."

The letter was signed "Paul" and the secretarial notation at the bottom read "PVM: cjc."

Mr. Perry died several months ago and Mrs. Perry, now living in Fairfield, Conn., told The Star Monday night the party was held at the letter in-

dictated. She said Dodd was to address the group.

When asked how many persons attended, how much money was raised and similar questions, she said: "I don't seem to recall exactly. My mind seems to be a blank."

Asks Time to Recall

Mrs. Perry then said she would attempt to ascertain details of the party and suggested that she be called back one night later in order to have time to recall the party.

When called again last night, she replied "no comment" to all the questions asked. When asked if she had been in touch with a member of Dodd's staff in the period between the two calls, she again refused to comment.

"All I can say is that I think Senator Dodd is a very fine man," she added.

Williams inserted in the record a 1954 Treasury ruling which said that money raised for campaign purposes and diverted to personal use "constitutes taxable income."

The ruling added:

"Where a political gift is received by an individual or a political organization and it is held or used for the purpose intended, i.e., for present or future expenses of a political campaign, it is not taxable income to the recipient. . . ."

"However, any amount diverted from the channel of campaign activities and used by a candidate or other individual for personal use constitutes taxable income. . . ."

Reaffirmed in 1961

A 1961 ruling given at the request of Senate Republican Leader Everett M. Dirksen of Illinois, Williams said, reaffirmed that any funds diverted for personal use were taxable as income.

Williams said the rulings were confused by a news release issued by the Internal Revenue Service last week.

In that, the senator noted, the service said it had received inquiries regarding the tax status of funds received by Dodd from fund-raising events. This, he said, added to the confusion, despite what he called the clear rulings in 1961 and 1954. The April 20 statement cited the longstanding IRS position but said that tax status depends, among other things, on "factual circumstances" and "the intent of the donor."

Case, in his comments, did not refer to Dodd by name. But he said that once again "the reputation of the Senate as an institution is being battered in the hands of the members made against an individual member of this body."

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